

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

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In re:

CHAPTER 11

CEDAR CHEMICAL CORPORATION, and
VICKSBURG CHEMICAL COMPANY,

Case No. 02-11039 (SMB)
Case No. 02-11040 (SMB)

Debtors.

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**STIPULATION AND ORDER RESOLVING OBJECTION BY THE
DEBTORS TO THE EPA’S CLAIMS (CLAIM NOS. 138, 460, AND 474)**

WHEREAS on March 8, 2002 (the “Petition Date”), Cedar Chemical Corporation (“Cedar”) and Vicksburg Chemical Company (“Vicksburg”) (collectively the “Debtors”) each filed a voluntary petition for relief under Chapter 11 of Title 11 of the United States Code (the “Bankruptcy Code”) with the United States Bankruptcy Court for the Southern District of New York (the “Court”); and

WHEREAS on or about September 4, 2002, the United States Environmental Protection Agency (“EPA”) filed a Proof of Administrative Expense Claim in the above-referenced case (Claim 138), which was amended on or about May 23, 2003 (Claim 460, with a duplicate numbered Claim 474), concerning the Debtors’ environmental obligations at both the Cedar Chemical Corporation facility at West Helena, Arkansas, and the facility operated by Vicksburg Chemical Company at Vicksburg, Mississippi (the “Proofs of Claim”); and

WHEREAS the Debtors filed motions (the “Motions”) objecting to the EPA’s Proofs of Claim, to which the United States filed its responses to the Motions; and

WHEREAS the Debtors' estates include certain proceeds of liquidation of Debtors' assets which pursuant to the terms of the Final Order (1) Authorizing Use of Cash Collateral, (2) Providing for Adequate Protection, and (3) Granting Related Relief, entered by the Bankruptcy Court on August 21, 2002, the Debtors' bank lenders agreed would be unencumbered by the bank lenders' claims and could be used to satisfy claims other than the bank lenders' claims (the "Unencumbered Proceeds"); and

WHEREAS the parties agree to compromise and resolve the amount and classification of the claim of the EPA in these proceedings;

NOW, THEREFORE, in consideration of the mutual promises contained herein, and for other good and valuable consideration receipt of which is hereby acknowledged;

IT IS HEREBY STIPULATED and agreed to by and between the parties, subject to approval by the Court, as follows, and upon approval by the Court, it is hereby ORDERED that:

1. The Court has jurisdiction to hear and consider the Motions pursuant to 28 U.S.C. § 1334 and 28 U.S.C. § 157 and to grant the relief requested therein.

2. This is a core proceeding under 28 U.S.C. § 157(b).

3. Good and sufficient notice of the Motions, and of the hearings scheduled thereon has been provided and any other requirement for notice be, and hereby is, dispensed with.

4. The EPA shall be paid the total amount of \$250,000.00 (two hundred and fifty thousand dollars) in full solely from the Unencumbered Proceeds, in satisfaction of the Proofs of Claim filed in these proceedings. This total amount of \$250,000.00 shall be paid to the EPA as follows:

(a) The Debtors shall pay the sum of \$125,000.00 to EPA Region 4 in satisfaction of its claim for response costs pursuant to the Comprehensive Environmental Response, Compensation &

Liability Act, 42 U.S.C. § 9601, et seq. (“CERCLA”), for the Cedar/Vicksburg facility, Vicksburg, Mississippi (the “Vicksburg Site”). This payment shall be made by FedWire Electronic Funds Transfer (“EFT”) to the U.S. Department of Justice lockbox bank, referencing CERCLA Site Spill ID Number A49H and U.S.A.O. file no. 2002 V 0680, in accordance with instructions provided to the Debtors by the U.S. Attorney’s Office for the Southern District of New York.

(b) The Debtors shall pay the sum of \$125,000.00 to EPA Region 6 in satisfaction of its claim for response costs pursuant to CERCLA for the Cedar facility, West Helena, Arkansas (the “Cedar Site”). This payment shall be made by FedWire EFT to the U.S. Department of Justice lockbox bank, referencing CERCLA Site Spill ID Number 06NH and U.S.A.O. file no. 2002 V 0680, in accordance with instructions provided to the Debtors by the U.S. Attorney’s Office for the Southern District of New York.

5. Upon payment in full of the amounts identified in paragraph 4, the EPA’s Proofs of Claim shall be deemed satisfied in their entirety against the Debtors, and the EPA shall have no further claim against Debtors in these proceedings.

6. Debtors’ entry into this Stipulation and Order will be subject to Bankruptcy Court approval pursuant to Bankruptcy Rule 9019. Debtors agree to exercise their best efforts to obtain the approval of the Bankruptcy Court. This Stipulation and Order will also be submitted for public comment following notice of this Stipulation and Order in the Federal Register. The United States reserves the right to withdraw or withhold its consent if the public comments regarding the Stipulation and Order disclose facts or considerations which indicate that it is inappropriate, or improper, or inadequate. If this Stipulation and Order is not authorized and approved by the Bankruptcy Court, this Stipulation and Order shall be of no

force and effect, whereupon nothing herein shall be deemed an admission of any fact or waiver of any right of either party with respect to the matters contained herein.

7. Nothing herein shall be deemed to extinguish or terminate those obligations, requirements, and rights of the parties hereto, which are set forth in the Stipulation and Order Authorizing Abandonment of the West Helena Manufacturing Facility and Vicksburg Manufacturing Facility and Granting Related Relief, entered by the Court in these proceedings on or about October 18, 2002, except that any and all monetary claims of the EPA against the Debtors shall be deemed satisfied in full by this Stipulation and Order.

8. Nothing in this Stipulation and Order shall be deemed to limit the authority of the United States to take response action or gather information under Sections 104 and 122 of CERCLA, 42 U.S.C. §§ 9604 and 9622, or any other applicable law or regulation, or to alter the applicable principles governing judicial review of any action taken by the United States pursuant to that authority, except that any and all monetary claims of the EPA against the Debtors as to the Vicksburg Site and the Cedar Site, whether now existing or arising in the future, shall be deemed satisfied in full by this Stipulation and Order.

10. Each signatory to this Stipulation and Order certifies that he or she is authorized to enter into the terms and conditions of this Stipulation and Order and to bind legally the party represented by him or her except that the execution of this Stipulation and Order by the Assistant Attorney General is required with respect to the United States.

11. This Stipulation and Order may be signed by facsimile and in counterparts.

12. This Court shall retain jurisdiction to hear and determine any matter arising from or relating to this Stipulation and Order.

Dated: New York, New York
February 5, 2004

FOR THE DEBTORS:

/s/ Bonnie L. Pollack
Bonnie L. Pollack, Esq. (BP-3711)
ANGEL & FRANKEL, P.C.
460 Park Avenue
New York, NY 10022
Phone: (212) 752-8000
Fax: (212) 752-8393

Dated: New York, New York
February __, 2004

FOR THE COMMITTEE OF
UNSECURED CREDITORS:

/s/ Timothy Brock, Esq.
Timothy Brock, Esq. (TB-4718)
Satterlee Stephens Burke & Burke, LLP
230 Park Avenue
New York, NY 10169
Phone: (212) 404-8781
Fax: (212) 818-9606

CONSENTED TO:

Dated: New York, New York
February __, 2004

FOR THE AGENT TO
THE SECURED LENDERS

/s/ Benjamin Kaminetzky
Benjamin Kaminetzky (BK 7741)
DAVIS POLK & WARDWELL
450 Lexington Avenue
New York, New York 10017
Counsel for JPMorgan Chase Bank, as

Agent for the Secured Lenders

Subject to the approval of the Assistant Attorney General:

Dated: New York, New York
February 5, 2004

DAVID N. KELLEY
United States Attorney for the
Southern District of New York
Attorney for the United States

By: /s/ David J. Kennedy
DAVID J. KENNEDY (DK-8307)
Assistant United States Attorney
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New York, New York 10004
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Dated: Washington, DC
March 9, 2004

/s/ Thomas L. Sansonetti
THOMAS L. SANSONETTI
Assistant Attorney General
Environment and Natural Resources Division
U.S. Department of Justice
P.O. Box 7611
Washington, D.C. 20044-7611

Subject to the approval of the Assistant Attorney General:

Dated: Atlanta, Georgia
February 20, 2004

/s/ Winston A. Smith
WINSTON A. SMITH
Division Director
Waste Management Division
U.S. Environmental Protection Agency, Region 4
61 Forsyth Street, S.E.
Atlanta, Georgia 30303
(404) 562-9674; telefax: (404) 562-9664

Dated: Atlanta, Georgia
February 23, 2004

/s/ David K. Clay for
WILDA WATSON COBB
Associate Regional Counsel
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Atlanta, Georgia 30303
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Subject to the approval of the Assistant Attorney General:

Dated: Dallas, Texas
February 10, 2004

/s/ Samuel Coleman
SAMUEL COLEMAN, P.E.
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U.S. Environmental Protection Agency, Region 6
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Dated: Dallas, Texas
February 10, 2004

/s/ James L. Turner
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(214) 665-3159; telefax: (214) 665-6460

IT IS SO ORDERED:

Dated: New York, New York
June 21, 2004

/s/ **STUART M. BERNSTEIN**
Chief United States Bankruptcy Judge